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SECURITY INFORMATION  
CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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1. The amount of 0.5 to 4.0 mm. drawn steel wire allocated for DDR domestic use has been reduced by roughly 1,500 tons for the first half of 1952. The reduction was made necessary because of the insufficient manufacturing capacity of the wire drawing industry. The anticipated shortage will result in a near-critical situation in several branches of industry. By the end of 1952, however, it is expected that an adequate number of wire-drawing machines will be on hand to enable the DDR to reach its production goals.
2. A serious shortage exists in gear-cutting machinery, especially for heavy gears of both worm and tooth type. Piston engine crankshafts constitute a bottleneck in production, particularly in the heavy diesel engine factories. On the other hand, the railway car manufacturing capacity exceeds present needs and it is planned to convert part of this to heavy motor vehicle production. Both VEB and SAG plants are able to produce more cars than are presently on order.
3. The dispute over the ordered purchase of SAG production by the DHZs has not yet been settled. Heinrich Rau, head of the State Planning Commission, has repeated his order to proceed with the purchase contract. State Secretary Willi Rumpf of the Ministry of Finance has, however, declined to concur and has not extended the needed credit for the purchases. He argues that to do so would seriously damage the DDR economy. Some DHZs, for example, Chemicals, have acted on Rau's orders and have contracts with the SAGs. Others, including Machine and Vehicle Construction, have held back and are awaiting a final decision. The matter is to be laid before Deputy Minister President Walter Ulbricht during the coming weeks, at which time some of the DHZs will plead that the purchase agreement would be ruinous.\*

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[ ] Comment: More detailed information concerning DHZ agreements to purchase SAG production is contained in [ ]

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